

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

Federal-State Joint Board on
Universal Service

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CC Docket No. 96-45

REPLY COMMENTS OF GENERAL COMMUNICATION, INC.

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INTRODUCTION AND SUMMARY

General Communication, Inc. (“GCI”) hereby files these reply comments in response to the Commission’s Notice of Proposed Rulemaking (“NPRM”) to implement the Recommended Decision of the Federal-State Joint Board on Universal Service concerning the process for designation of Eligible Telecommunications Carriers (“ETCs”) and the Commission’s rules concerning the scope of high cost universal service support.¹ As GCI explained in its comments, the Joint Board has adopted a series of recommendations that, if implemented, will advance the dual goals of the Telecommunications Act of 1996 (the “1996 Act” or the “Act”) – competition and universal service – while ensuring the integrity and sustainability of the federal universal service fund (“USF”). These recommendations will help the FCC and state commissions continue to harness the benefits of competition to improve services for *consumers* in a manner that preserves and enhances universal service.

¹ See *Federal-State Joint Board on Universal Service*, Recommended Decision, 19 FCC Rcd 4257 (rel. Feb. 27, 2004) (“*Joint Board Recommendation*”).

As a threshold matter, the Commission should accept the Joint Board's recommendation to limit high cost support to a single line. Several parties agree with GCI that limiting high cost support to a single residential or business connection would limit such support to a manageable task – ensuring that every household and business has basic telephone service without threatening the goals of universal service and without unnecessarily subsidizing multiple connections to every man, woman, and child. This, in turn, would ensure that high cost support will be sufficient, but not excessive, to guarantee universal service for *all* consumers – both those whose service is supported and those that contribute to provide that support.

By contrast, and contrary to the recommendation of several parties, the Commission should not continue to support all lines to advance other goals, such as the deployment of wireless and broadband networks. These goals have been, and will continue to be, achieved without high cost support. Nor should the Commission fund primary lines simply to guarantee rural ILEC (or wireless carrier) revenues. As the Fifth Circuit made clear in *Alenco Communications, Inc. v. FCC*, the universal service principles outlined in the 1996 Act focus on rates and services for *consumers*, not carriers.² Moreover, providing support for a single connection would challenge potential ETCs to design and provide services that can be a full substitute for, not just a complement to, traditional wireline telephone service. This will focus all ETCs on providing the best possible service and service packages to consumers – not just tolerably adequate complementary services to existing wireline telephone service – and in turn use the marketplace to push rural ILECs to respond, whether by marketing underutilized broadband capabilities, by developing more attractive bundles, by increasing efficiency as means of reducing prices, or some combination of these. Indeed, while GCI understands the concerns

² 201 F.3d 608, 620 (5th Cir. 2000) (“*Alenco*”).

of those who seek to ensure support for networks that deliver high-quality telecommunications services to rural America, GCI believes that competition provides rural, insular and high-cost areas with the best option.

Furthermore, the Commission must recognize that all rural ETCs – not just rural ILECs – build networks that compete to serve consumers, and that in so doing, they incur many costs that are common to serving both the primary line and multiple connections. Accordingly, the Commission should adopt the Joint Board’s recommendation to restate total current support paid to a rural ILEC in terms of first lines. Of the Joint Board’s three proposals, this is the only one that ensures that rural ILECs and competitive ETCs will receive the same level of support, so it is the only proposal that is consistent with the principle of competitive neutrality.³ At the same time, this approach addresses the stated concerns of some that a pure primary line approach will somehow disadvantage rural consumers by significantly raising the price for non-primary lines.

GCI also supports the Joint Board’s recommendation to cap per-primary line high cost support in rural study areas upon competitive entry. Without such a freeze, the emergence of full facilities-based competition will cause high cost support funding to grow unnecessarily, skewing marketplace signals to both incumbent LECs and competitive ETCs.

The Commission cannot, however, resolve in this docket whether competitive ETCs should receive different levels of high cost support than rural ILECs. This issue – which the Joint Board referred to as the “basis” of support – was not part of the *Joint Board Recommendation* and was not part of the Commission’s NPRM. These issues are pending before

³ GCI also recognizes that there may need to be some transitional “hold harmless” aspects to high cost support to reconcile those support mechanisms with rate-of-return regulation when the Commission simultaneously is reforming intercarrier compensation. The plan developed by the Intercarrier Compensation Forum (“ICF Plan”) proposes such a balance as part of a comprehensive overhaul of the intercarrier compensation regimes.

the Joint Board in a different docket, outside the scope of this Notice. Regardless, there is no reason to provide competitive ETCs a fundamentally different level of high cost support from that received by the incumbent. Distributing the same amount of support to the ETC that “wins” the customer’s primary line business, regardless of the identity of the ETC, replicates the price signals that would occur in a competitive market (or in a “voucher” system). Hence, providing the same level of support is entirely consistent with the principle of competitive neutrality. Moreover, providing all ETCs in a market with the same level of support results in sufficient support, consistent with the requirements of Section 254(e) of the 1996 Act, when sufficiency is properly measured from the *customer’s*, and not the carrier’s, perspective.

The customer’s perspective should also be the lens through which proposals to limit arbitrarily CETC designations are viewed. Such proposals purport to identify when per-line high cost support is “too high” to permit the designation of any ETC in addition to the incumbent LEC. This approach is arbitrary, invites gaming, and denies the very competitive incentives that deliver investment, efficiencies, and lower costs to rural consumers. There is no basis for raising this impermissible barrier to entry, particularly when the effective and competitively neutral solution to concerns about increases in the fund attributable to multiple ETC designations is issuing support only for primary lines.

GCI also agrees with those commenters that suggest that the Commission make clear that rural ILECs may not use their failure to disaggregate support as both a sword and a shield. GCI recommends that when a rural ILEC has elected “Path One disaggregation,” and has therefore elected not to disaggregate its high cost support across two or more zones, the ILEC should not be allowed to raise the possibility of “cream skimming” as a defense against the designation of an additional ETC. Instead, a better approach would be to permit the rural ILEC to either

maintain non-disaggregated support, or to petition the state commission for disaggregation of its high cost support under “Path Two,” which requires state commission approval. This approach has a number of benefits: it would alleviate FCC and state commission concerns about cream skimming, distribute universal service support in a more rational manner, and maintain a check against non-cost-based, anticompetitive ILEC disaggregation plans. Most importantly, it removes the ability of any ILEC to stand in the way of an ETC designation by refusing to avail itself of the powerful disaggregation tool.

Finally, GCI supports those parties that urge the Commission to require rural ILECs to combine their study areas to reflect their actual service territory in a single state. If implemented, this policy will result in significant cost savings for consumers nationwide by reducing the overall funding required to support USF. More importantly, however, it will ensure that high cost support flows to ETCs serving those truly rural, insular, and high cost areas that depend on USF to keep rates affordable, and not to large holding companies that have manipulated their study area boundaries to game the universal service system.

I. THE COMMISSION SHOULD IMPLEMENT THE JOINT BOARD’S RECOMMENDATION TO LIMIT THE SCOPE OF HIGH COST SUPPORT

A. Diverse Segments of the Telecommunications Industry Support the Joint Board’s Proposal to Limit High Cost Support to a Primary Line.

In its comments, GCI urged the Commission to accept the Joint Board’s recommendation to limit high cost support to a primary line. Significantly, several other parties – including cable companies,⁴ Regional Bell Operating Companies (“RBOCs”),⁵ interexchange carriers (“IXCs”),⁶

⁴ See Cox Communications, Inc. Comments at 8-11.

⁵ See Qwest Comments at 2-4, SBC Comments at 9-10, Verizon Comments at 15-17. Indeed, Verizon is a recent convert to the primary line restriction. In its original comments to the Joint Board, Verizon cautioned that “The Commission should not...attempt to control the

state commissions,⁷ and even consumer advocates⁸ – agree. As GCI explained, limiting high cost support to a single residential or business connection would use such support to accomplish a manageable task – ensuring that every household and business has basic telephone service, without subsidizing multiple connections to every man, woman, and child.⁹ This, in turn, would ensure that high cost support is sufficient to guarantee universal service for *all* consumers, while preventing support from becoming an excessive burden on those consumers that are net payers. In fact, as NASUCA recognized, “[t]here is no other single alternative to the current system that will be more effective in controlling the size and growth of the universal service fund, while fulfilling the core universal service goal of ensuring that a connection to the public switched network is available to every household and business.”¹⁰

Limiting high cost support to a single connection has two significant benefits. First, as the Joint Board explained, a primary line restriction would be consistent with the goals of the Act, and in particular, Section 254(b)(3): “Supporting a single connection to the public telephone network fulfills the goal of ‘reasonably comparable’ access... to all of the services included in

size of the fund by limiting high-cost support to only ‘primary’ lines when all such lines are being provided by the rural ILEC.” Comments of Verizon, CC Docket No. 96-45 at 7 (filed May 5, 2003). Now, however, Verizon supports the primary line restriction for all carriers, including rural ILECs. *See* Comments of Verizon, CC Docket No. 96-45 (filed August 6, 2004) (“After the initial rebasing of support, [rural ILECs] would only lose additional support if, and to the extent, they were to lose primary lines to competitive ETCs.”).

⁶ *See* AT&T Comments at 6-10.

⁷ *See* California Public Utilities Commission Comments at 5-9, State of New York Department of Public Service Comments at 2-3.

⁸ *See* National Association of State Utility Consumer Advocates (“NASUCA”) Comments at 3-28.

⁹ *See* Comments of General Communication, Inc., CC Docket No. 96-46 at 25 (filed Aug. 6, 2004) (“*GCI Comments*”).

¹⁰ NASUCA Comments at 6.

the definition of universal service” as well as “all of the additional telecommunications and information services, including advanced services, available to consumers through the public telephone network.”¹¹ GCI agrees, and therefore opposes the suggestion of some wireless carriers and rural ILECs that the Commission adopt an expansive view of universal service – one that would include multiple lines and multiple services (*e.g.*, wireless and broadband) for every connection to the Public Switched Telephone Network (“PSTN”).¹² To the contrary, GCI believes that “universal service [was] established with a more limited objective in mind – to ensure that, at least in every home and business, there would be a minimum of one connection to provide access to the Public Switched Telephone Network.”¹³ “Providing support to the primary lines for each household, as recommended by the Joint Board, ensures that this statutory goal is met.”¹⁴

Second, limiting high cost support to a single connection would protect the sustainability of the universal service fund. As GCI and several other parties explained in their comments, “continued support for multiple connections” under the current system would “put an unbearable strain on the USF”¹⁵ as high cost support is used to subsidize two, four, or more connections to a single residence. Instead, “[a]doption of the primary line restriction will transform high-cost-funding from a ‘no-losers’ system into a ‘zero-sum game’ – if one ETC wins the primary line support, the other ETC loses it,” forcing *all* ETCs to “compete for the high-cost subsidy

¹¹ *Joint Board Recommendation* at ¶ 62.

¹² *See, e.g.*, Western Wireless Comments at 11, Dobson Cellular Systems, Inc. Comments at 18, Sprint Comments at 7, Centennial Communications Comments at 13.

¹³ AT&T Comments at 7.

¹⁴ NASUCA Comments at 5.

¹⁵ AT&T Comments at 9.

available for serving customers in high-cost and rural areas.”¹⁶ As a result, “[t]he single connection approach would help to minimize federal high cost support and would promote competitive and technological neutrality, while still constraining USF growth, regardless of which carrier provides the supported line.”¹⁷

Further, the Joint Board’s approach would eliminate the upward spirals in high cost support that occur as a rural ILEC loses lines under the Commission’s existing rules, creating a windfall for both the rural ILEC and the competitive ETC.¹⁸

GCI understands the concerns of those who would ensure the delivery of affordable and reasonably comparable services to rural America by maintaining the current universal service regime, which provides support for all lines.¹⁹ However, as discussed further below, GCI believes that competition for designation as a customer’s primary line provider is a better means to achieve this important policy goal, especially when the primary line restriction is coupled with the safeguards embodied by the Joint Board’s restatement proposal.

B. Opponents of the Primary Line Restriction Seek to Advance Their Own Interests, to the Detriment of the Public Interest.

1. Maintaining Every-Line Support to Provide Revenue Guarantees for Rural ILECs Is Illogical and Harms Consumers.

Throughout their comments, rural ILECs assert that they are entitled to high cost support at levels that will guarantee a specified rate of return, and that the Commission should maintain

¹⁶ NASUCA Comments at 16.

¹⁷ State of New York Department of Public Service Comments at 2.

¹⁸ See *Joint Board Recommendation* at ¶¶ 61 n.160 (discussing how a rural ILEC must recover its fixed costs from fewer lines as it loses lines to a competitive ETC, thereby increasing its per-line costs and by extension, its per-line high cost support).

¹⁹ “Senate Appropriators Strike Down USF Primary Line Recommendations,” *Communications Daily* at 1 (Sept. 16, 2004).

“every connection” high cost support to facilitate those guarantees. The National Telecommunications Cooperative Association (“NTCA”), for example, argues that “[n]ew regulatory policies and revised universal service portability rules must permit rate-of-return rural carriers to recover their investment in the total network facilities needed to provide comparable rates and services to customers living in rural and high-cost areas,” and so correspondingly, “all lines must be included when determining a rural carrier’s embedded costs.”²⁰ NTCA’s criticisms, however, fundamentally lie not with the Joint Board’s primary line proposal, but with the notion (reflected in FCC rules, but not implemented for rate-of-return carriers) that an ILEC would ever see its support diminish when it competes head-to-head with other ETCs and fails to win the consumer’s business.²¹ Like the Joint Board, GCI believes that using high cost support to guarantee ILEC revenues even when the consumer selects another ETC as its primary provider is inappropriate in a competitive marketplace and, ultimately, provides no benefit, and is even harmful, to consumers.

In the first instance, revenue guarantees built into the implementation of current high cost support mechanisms insulate rural ILECs from the discipline of the “invisible hand” of the marketplace, even when the rural ILEC fails to serve consumers well. In an unsubsidized market, an ILEC loses all of the revenue associated with service to a customer when it loses the customer. By contrast, in an area that currently receives high cost support, although the ILEC loses the end user revenue associated with that customer, it *retains* the high cost support associated with the facilities that were formerly used to serve that customer, because its high cost

²⁰ NTCA Comments at 7.

²¹ See 47 C.F.R. § 54.307(a)(2), (4).

support does not decline when it loses the line.²² As the Joint Board itself recognized, a rural ILEC never loses high cost support, even when it loses a supported line to a competitive ETC.²³ Thus, the rural ILEC does not face the same financial incentive to retain customers that it faces in a competitive market. To maintain the market's competitive discipline and corresponding consumer benefits, when a rural ILEC loses a customer, it should lose high cost support for that line – just as it would lose the retail revenue. Accordingly, revenue guarantees harm consumers.

Nothing in the *Joint Board Recommendation*, however, removes the revenue guarantee that the rural ILECs have obtained because of the failure of USAC and the Commission to implement fully rule 54.307. The Joint Board proposal would simply shift support away from mechanisms that distribute support for every connection to a support mechanism that distributes support only for primary connections. The Joint Board's restatement proposal in particular would simply recalculate ILEC support, such that if the Commission implemented rule 54.307 fully, the ILEC would only lose support when it no longer provided a customer's primary connection. Until the rural ILEC no longer provides the consumer's primary line service – and until the FCC implements rule 54.307 fully – the rural ILEC would recover the same amount

²² Moreover, in the pursuit of revenue neutrality for rural ILECs, this policy increases the size of the universal service fund by allowing double-recovery of universal service support. This result only occurs when the ILEC loses a customer but retains support, because competitive ETCs *only* receive support today for lines actually served, not for investments to serve the entire service area.

²³ See *Joint Board Recommendation* at ¶ 61, n.160. Because the Commission and USAC have never implemented 47 C.F.R. § 54.307 insofar as that rule requires ILEC support to be reduced when a competitive ETC provides service to an end user customer, rate-of-return ILECs generally do not lose support even when they lose customers. Furthermore, rate-of-return ILEC claims of a threat of long-term revenue loss are further overstated because, as the Joint Board recognized, to the extent an ILEC loses revenues to competition, but not costs, when the ILEC recalculates its rates and USF support for the next year, those costs remain in the ratebase and receive USF support. See *id.* at ¶ 67 n.186; see also Comments of General Communication, Inc., CC Docket No. 96-45 at 38-39 (filed May 5, 2003).

from universal service, as it did when universal service support was provided for all lines.

The restatement proposal also makes sense based on how network costs are incurred. The costs of creating a network – including the costs of installing poles, stringing lines and digging trenches – are overwhelmingly common as between the primary line and the additional lines provided to each location, as rural ILECs themselves recognize.²⁴ As such, there is no principle of cost causation that requires that these costs be recovered – whether through universal service support or from end users – on an average, per-line basis.²⁵ Indeed, because all of these costs must be incurred to install the first line that provides access to the PSTN, it make more sense to ensure that the provider of the primary network connection is provided the support necessary to install and maintain those connections.

Thus, rural ILEC attempts to portray support for every connection as necessary to maintain rural ILECs' current revenue guarantees are a logical non-sequitur. Distributing support on a primary line basis can deliver the same amount of support to a rural ILEC as distributing support on the basis of every connection. Rural ILEC complaints lie not with the primary line distribution, but with the *possibility* that the Commission might finally implement rule 54.307 fully, and remove ILEC support when the ILEC no longer serves the end user customer. It is the revenue guarantee that stems from failing to implement fully rule 54.307 that distorts marketplace forces and denies consumers the full benefits of competition.

As GCI and others demonstrated in their initial comments, competition – even in rural

²⁴ See, e.g., Rural Cellular Association Comments at 23-24, Nextel Partners, Inc. Comments at 25, Rural Telecommunications Associations Comments at 17, TDS Telecommunications Corporation Comments at 18-19.

²⁵ The same is true for a CMRS network, in which all the cell towers and backhaul must be installed regardless of whether the connection provided is the consumer's primary or additional connection, and regardless of whether a household has one connection or four.

markets – advances the Commission’s universal service goals and best serves consumers.²⁶ The presence of competitive ETCs, such as GCI, that compete with (rather than merely complement) the ILEC’s primary line service will force the incumbent to trim excessive costs, lower prices (or at least restrain price increases), offer new capabilities, and improve customer service.²⁷ Rather than harming consumers, as the rural ILECs argue, a primary line distribution will actually reward the competition that most benefits consumers – head-to-head competition between facilities-based providers offering consumers a choice among services that are direct substitutes, not just complements.

2. Revenue Guarantees Are Not Necessary to Maintain Sufficient Support for Consumers.

Some parties, largely rural ILECs and wireless carriers, also argue that limiting high cost support to a single line will result in insufficient universal service funding, in violation of Section 254(b)(5) of the Act.²⁸ Ignoring court decisions to the contrary, these parties have reinterpreted the universal service goals of the Act, arguing that the purpose of Section 254 was to ensure cost recovery for network infrastructure used to serve rural, insular, and high cost areas, rather than to ensure that the rates paid by consumers for universal service are affordable and reasonably comparable. In fact, these rural ILEC arguments are nothing more than warmed-over versions of the arguments they presented to the Fifth Circuit in *Alenco*, wherein the court upheld the Commission’s current portability rules.

²⁶ See, e.g., *GCI Comments* at 5-9, Cox Communications, Inc. Comments at 3-5, Nextel Partners, Inc. Comments at 5-7, NASUCA Comments at 16-19

²⁷ See *GCI Comments* at 6-7 (discussing ACS rate increases and GCI’s competitive response); see also NASUCA Comments at 13, Rural Cellular Association Comments at 6.

²⁸ See, e.g., CenturyTel, Inc. Comments at 17, Rural Telecommunications Associations Comments at 16-17, NECA Comments at 6, USTA Comments at 21, Rural Cellular Association Comments at 23-24.

As the Fifth Circuit made clear in *Alenco*, the Act did not establish competitor-focused cost recovery as its universal service goal, but focused instead on the rates paid by and services available to consumers. Noting that the rural ILECs' sufficiency challenges to the Commission's portability rules and corporate operations expense cap "fundamentally misses the goal of the Act," the Fifth Circuit instructed:

The Act does *not* guarantee all local telephone service providers a sufficient return on investment; quite to the contrary, it is intended to introduce competition into the market. Competition necessarily brings the risk that some telephone service providers will be unable to compete. The Act only promises universal service, and that is a goal that requires sufficient funding of *customers*, not *providers*. So long as there is sufficient and competitively-neutral funding to enable all customers to receive basic telecommunications services, the FCC has satisfied the Act and is not further required to ensure sufficient funding of every local telephone provider as well.²⁹

There is no meaningful distinction that can be drawn between the portability rules under review in *Alenco* and the implementation of primary line distribution as proposed by the Joint Board. Along with rural ILECs, USTA in fact demonstrates as much when it complains that "Adoption of a primary line plan could prevent thousands of [rate-of-return] carriers from obtaining their revenue requirements, threatening their very viability," because a rural ILEC that loses a primary line to a competitive ETC would no longer receive high cost support for that line.³⁰ Indeed, as explained above, rural ILECs' "cost recovery" concerns with the Joint Board's primary line distribution proposal are fundamentally tied to eventual implementation of the same

²⁹ *Alenco*, 201 F.3d at 620 (emphasis in original).

³⁰ USTA Comments at 21; *see also* CenturyTel, Inc. Comments at 17 ("...it is critical for support to be made available for entire rural networks, not just primary lines" because "[t]hese network costs remain even when a competing carrier wins a customer's primary line."); Rural Telecommunications Associations Comments at 17 ("Any reduction in high-cost support due to limiting support to primary lines would adversely affect the ability of rural carriers to continue delivering high quality, modern services at affordable rates to high cost consumers, contrary to the universal service objectives of the Act.").

portability rules that were affirmed in *Alenco*. Section 254 nowhere requires rural ILEC revenue guarantees. As NASUCA notes, while “[t]he 1996 Act added specificity and detail to the federal universal services mechanisms,” it quite clearly “did not create an entitlement program” for rural ILECs, as the rural ILECs and their associations seem to suggest.³¹

Section 254(e)’s requirement that high cost support be used “only for the provision, maintenance, and upgrading of facilities and services for which the support is intended” does not support overturning *Alenco*.³² Instead, as NASUCA states, “high-cost funding is a mechanism to produce quality services at just, reasonable and affordable rates, and to allow rural customers access to services reasonably comparable – at reasonably comparable rates – to those available in urban areas. This does not make the USF a cost-recovery guarantor for rural carriers, just as it is not a cost-recovery guarantor for non-rural ETCs.”³³

Moreover, ILEC claims that ending their revenue guarantees will effect a Constitutional violation under the Takings Clause of the Fifth Amendment,³⁴ which “protects utilities from being limited to a charge for their property serving the public which is so ‘unjust’ as to be confiscatory,”³⁵ are likely to fail. In the first instance, not every diminution in revenue creates a “Taking.” As the Supreme Court noted in *Federal Power Comm’n v. Hope Natural Gas*, “[t]he fixing of prices, like other applications of the police power, may reduce the value of the property which is being regulated. But the fact that the value is reduced does not mean that the regulation

³¹ NASUCA Comments at 18.

³² See, e.g., NTCA Comments at 13-14, Rural Telecommunications Association Comments at 21.

³³ NASUCA Comments at 19.

³⁴ See, e.g., SBC Comments at 9, Beacon Telecommunications Advisors, LLC at 13, 18.

³⁵ *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 307 (1989) (citing *Covington & Lexington Turnpike Road Co. v. Sanford*, 164 U.S. 578, 597 (1896)) (“*Duquesne*”).

is invalid.”³⁶ To establish a Taking, an ILEC has the burden to demonstrate that a regulator has set prices at such a low level that the ILEC is unable “to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed.”³⁷ It is the “total effect” of a regulation that must be evaluated “in the context of the system under which they are imposed.”³⁸ ILECs are unlikely to meet this stringent standard, particularly given many rural ILECs’ long history of over-earning, which has gone unchecked by the Commission.³⁹

In any event, ILEC “doom-and-gloom” predictions of revenue loss are not likely to come true. In the first instance, the FCC has never actually implemented the provisions of rule 54.307(a) that call for ILECs to lose high cost loop support (“HCLS”), local switching support (“LSS”), and interstate common line support (“ICLS”) when they lose lines to a competitor. Without full portability – in which ILECs lose support when competitive ETCs win customers – there is no revenue loss at all and the revenue guarantee remains intact. Even if and when the FCC fully implements rule 54.307(a), rural ILECs are not likely to lose revenue at the outset of a transition to primary line support distribution. For example, a rural ILEC will not lose any high cost support unless a state commission or the FCC designates an additional ETC in its study area,

³⁶ *Federal Power Comm’n v. Hope Natural Gas*, 320 U.S. 591, 601 (1944) (“*Hope*”).

³⁷ *Verizon Communications, Inc. v. FCC*, 122 S. Ct. 1646, 1658 (2002) (“*Verizon*”) (citing *Hope*, 320 U.S. at 605).

³⁸ *Duquesne*, 448 U.S. at 310, 314.

³⁹ See, e.g., Comments of General Communication, Inc., CC Docket No. 96-45, RM No. 10822 (filed Jan. 16, 2004) (explaining that NECA and ACS of Anchorage, Inc. both have earned an interstate rates-of-return for the switched traffic sensitive category of access services that far exceed the Commission-prescribed 11.45 percent for the past several years); see also Petition of General Communication, Inc. to Suspend and Investigate National Exchange Carrier Association, Inc. Tariff F.C.C. No. 5, Transmittal No. 1030, WCB/Pricing Docket No. 04-18 (filed June 23, 2004).

and the new ETC is able to capture some of the rural ILEC's lines. Further, the Joint Board has proposed three alternatives to mitigate the reductions in high cost support flowing to rural ILECs as a result of the primary line restriction.⁴⁰ Under each proposal, the rural ILEC would initially receive the same level of high cost that it receives today, and under the "hold harmless" and "lump sum" proposals, its support will not decline even as the rural ILEC loses primary line customers.⁴¹

Even if rural ILECs began to lose high cost support through full implementation of rule 54.307(a) combined with the implementation of primary line support distribution, the Commission and state commissions would still have other tools available to provide rural ILECs with a meaningful opportunity to recover their investments. They could, for example, simply allow ILECs to increase the cap on their SLCs, reflecting the revenue requirement formerly but no longer offset by high cost support. The critical distinction is that – consistent with *Alenco* – the ILEC would be given an *opportunity* to earn these revenues, not a USF-based guarantee.⁴²

3. *High Cost Support for Multiple Connections Is Not Required to Ensure Reasonable Comparability of Broadband Deployment Between Urban and Rural Areas.*

Rural ILECs⁴³ and wireless ETCs⁴⁴ also assert that Section 254(b)(3)'s requirement of reasonable comparability necessitates support for multiple connections in order to foster

⁴⁰ See *Joint Board Recommendation* at ¶¶ 72-76.

⁴¹ See *id.* at ¶¶ 74-76.

⁴² *Alenco*, 201 F.3d at 619.

⁴³ See, e.g., Independent Telephone & Telecommunications Alliance ("ITTA") Comments at 6-7, NECA Comments at 7-8, Rural Telecommunications Associations Comments at 21-22, USTA at 16-17.

⁴⁴ See, e.g., Western Wireless Comments at 10-11, Rural Cellular Association Comments at 28, Dobson Cellular Systems, Inc. Comments at 18.

broadband deployment, encourage the development of wireless service, and maintain affordable rates for second lines in rural, insular, and high-cost areas. Significantly, however, all of these assertions were plainly rejected by the Joint Board, and the Commission should do the same.

First, with regard to broadband deployment, the Joint Board specifically rejected the argument that support for multiple connections is necessary to ensure comparable access to advanced services.⁴⁵ Simply stated, “[n]either Internet access nor data lines nor fax lines have been designated by the Commission as services to be supported.”⁴⁶ This makes sense, because many new entrants have deployed broadband facilities *without* the subsidies that are available to rural ILECs under the current system.⁴⁷ GCI, for example, provides high-speed Internet access using a broadband platform integrating digital subscriber line (“DSL”), satellite, and fixed wireless technologies throughout Alaska, a market that is one-fifth the size of the contiguous United States and has fewer miles of road than the State of New Hampshire. Importantly, this broadband deployment has been and will continue to be made available without high cost support, and with no regulatory assurance that GCI will earn a return on its investment.

The competitive playing field in the broadband market would have been very different, however, had the Commission provided high cost support for advanced services, as some have urged.⁴⁸ GCI would have been ineligible to receive such support in areas where it has not been designated an ETC. This would have forced GCI to compete against a rural ILEC receiving high cost support as a designated ETC, and would have placed GCI at a significant price disadvantage

⁴⁵ See *Joint Board Recommendation* at ¶ 62; see also AT&T Comments at 7-8.

⁴⁶ NASUCA Comments at 14.

⁴⁷ See Comments of General Communication, Inc., CC Docket No. 96-45 (filed May 5, 2003) at 11-13 (describing GCI’s deployment of advanced services throughout Alaska).

⁴⁸ See, e.g., USTA Comments at 16, CenturyTel Comments at 17.

– potentially deterring it from entering the broadband services market at all. Providing subsidies to one group of carriers (rural ILECs) but not others (new entrants) would discourage entry by innovative and efficient carriers that can provide broadband services without subsidies, an outcome that violates the principle of competitive neutrality.⁴⁹

Second, there is nothing about primary line support distribution, particularly through the restatement method, that disincentivizes the network upgrades needed to provide broadband service, such as shortening loop lengths and removing bridge taps.⁵⁰ These steps are part of the common costs of providing the first line, as well as second and third lines, and can legitimately be covered through primary line support. In any event, the vast majority of small rural ILECs already have deployed DSL: NTCA reports that 92% of its members offer broadband service.⁵¹

Third, with regard to wireless services, the Joint Board firmly rejected arguments raised by wireless carriers that Section 254 requires support for multiple connections to foster the development of rural wireless service. As a threshold matter, the Joint Board found that

⁴⁹ The same concern applies to wireless providers. As GCI explained in its comments, “[c]ommercial experience has shown that as more and more wireless carriers have sought ETC designation, their competitors have been forced to follow, either to avoid being placed at a competitive disadvantage or to respond to pressure from Wall Street to maximize revenue.” GCI Comments at 27.

⁵⁰ Indeed, the FCC’s High Cost Model itself specified shorter loop lengths and no bridge taps. *See Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, Fifth Report and Order*, 13 FCC Rcd 21323, 21350 (paragraph 67) (1998) (“disallow[ing the High Cost Model’s use of loading coils because their use may impede high-speed data transmission.”); *see also id.* at 21351-54 (paragraphs 68-70) (holding that loop lengths in the High Cost Model will not exceed 18,000 feet).

⁵¹ *Communications Daily*, June 30, 2004 at 7. Indeed, rate-of-return carriers have every incentive to deploy advanced services capabilities when they can fully recover the investment plus return through tariffed rates and universal service support based on rate-of-return revenue requirements.

“[m]obility is not a supported service.”⁵² And as NASUCA correctly notes, “Wireless carriers have historically served rural areas and built out their networks without federal support.”⁵³ Moreover, “[a]ccording to the Commission’s best estimates, there are very few areas in the country that have no wireless service... [a]nd studies have shown little, if any, difference in pricing between urban and rural markets.”⁵⁴ Indeed, it is very significant that NASUCA – an organization that represents the interests of *consumers* – found that “[t]here has been no showing that rural wireless carriers will pay rates that are not reasonably comparable to urban wireless rates if support for second lines is eliminated.”⁵⁵ Hence, high cost support is not necessary to ensure “comparability” between urban and rural areas, even with respect to wireless services.

Fourth, with regard to second lines, all of the functionalities included in the definition of universal service can be provided through a single connection – a fact that the Joint Board recognized in proposing the primary line restriction.⁵⁶ Thus, there is simply no need to subsidize second lines through USF. There also is no evidence that limiting support to primary lines will inevitably increase the price of second lines in rural, insular, and high cost areas. Typically, “second line service has minimal incremental cost”⁵⁷ because:

When LECs construct new network facilities, such as for a new subdivision, they open a single trench or put up a single set of poles, then lay multiple loops to each home or business in that facility. The costs of digging the trench or erecting the

⁵² *Joint Board Recommendation* at ¶ 63 (noting that while “[d]eployment of rural wireless infrastructure is an important policy goal, ... the reasonable comparability principle does not justify supporting multiple connections to achieve it.”).

⁵³ NASUCA Comments at 14.

⁵⁴ AT&T Comments at 8-9.

⁵⁵ NASUCA Comments at 14-15.

⁵⁶ *See Joint Board Recommendation* at ¶ 62.

⁵⁷ NASUCA Comments at 17-18.

poles must be incurred fully in order to provide first-line service. There are few incremental costs to providing additional connections.⁵⁸

Also, because “the incremental costs of second and additional lines are much less than the costs of the primary line,” rural ILECs have “an opportunity to recover their joint and common costs (whether embedded or forward-looking) from the sale of these lines, as well as highly profitable features and toll.”⁵⁹

Regardless, a desire to promote the deployment of wireless and broadband services or to maintain existing rates for second lines are not reasons to extend the current regime, which provides high cost support for multiple connections. As discussed herein, “continued support for multiple connections would put an unbearable strain on the USF.”⁶⁰ It also would distort the rural wireless and broadband markets by providing high cost support to some, but not all, service providers.

4. The Primary Line Restriction Will Benefit Consumers Nationwide.

Some parties that benefit from the existing regime urge the Commission to reject the Joint Board’s proposed primary line restriction on the grounds that it will encourage gaming and fraud by carriers, cause confusion on the part of consumers, and waste scarce resources on marketing rather than investment in telecommunications facilities and services.⁶¹ In short, these parties assert that competition for designation as the provider of a primary line will ultimately harm, rather than help, consumers. But nothing could be further from the truth. Today,

⁵⁸ AT&T Comments at 14.

⁵⁹ Cox Communications, Inc. Comments at 15.

⁶⁰ AT&T Comments at 9.

⁶¹ See, e.g., NECA Comments at 12-13, ITTA Comments at 11-12, CenturyTel Comments at 18, Dobson Cellular Systems, Inc. Comments at 19-20, USTA Comments at 20.

consumers in almost all non-rural markets enjoy the ability to choose among multiple providers of local service, and the vast majority of these consumers have not been harmed. To the contrary, GCI's entry into several Alaska markets demonstrates how consumers have benefited from lower rates and the deployment of innovative new services and packages thereof, both by new entrants and the incumbent alike.⁶² GCI believes that consumers in rural markets throughout the nation should likewise have the same ability to experience the benefits of competitive choice.

Accordingly, GCI urges the Commission to start with the presumption that competition for a customer's primary line designation will benefit *all* consumers, even those consumers living in rural, insular, and high cost areas.⁶³ As NASUCA explains, "Primary line designation will create competition" in the local market "as did equal access" in the long distance market. Therefore, "warnings by some commenting parties should be viewed with skepticism, because they would naturally prefer not to compete for support."⁶⁴ Indeed, providing support for a single connection would create a strong incentive for all ETCs to obtain the customer's designation as the primary or first line carrier. For instance, supporting only the first or primary line – as designated by the customer – would encourage all ETCs to improve their service quality and pricing packages such that the customer will consider the carrier to offer a true substitute for the rural ILEC's primary line service, and not just a complement. And, to the extent that the forces

⁶² See *GCI Comments* at 6-8 and Exhibit A.

⁶³ See *id.* at 5-9; see also Cox Communications, Inc. Comments at 2-3.

⁶⁴ NASUCA Comments at 24; see also Rural Cellular Association Comments at 27 ("It is likewise no coincidence that unlimited local and long distance calling plans are being aggressively offered by wireline carriers in urban areas, where competition has taken hold. These plans could have been offered literally decades ago – but only competition forced incumbents to drive these benefits to consumers.").

of competition lead to some “slamming” or other types of abuse, the FCC and state commissions already have the necessary authority and tools to deter and punish any such illegal behavior.

C. The Commission Should Adopt the Restatement Proposal Because It Is the Only Proposal that Is Competitively Neutral.

GCI supports the Joint Board’s recommendations to limit high cost support to primary lines, and then freeze per-line support upon competitive entry into a rural study area. These measures will restore some sanity to USF by eliminating features of the existing high cost mechanisms that provide rural ILECs with revenue guarantees, which have caused explosive growth in the size of the fund.⁶⁵ However, GCI also recognizes that these measures, if implemented, will have a substantial effect on the high cost support currently received by *all* ETCs, so it is reasonable for the Joint Board to seek to “mitigate reductions in the amount of high-cost support flowing to rural areas as a result of implementing a primary-line restriction.”⁶⁶

As GCI previously explained, the Commission should adopt the Joint Board’s recommendation to restate total current support paid to a rural ILEC in terms of first lines.⁶⁷ GCI agrees with AT&T that “restating study-area wide support as per-first line support” has the benefit of “end[ing] the potential for uncontrolled growth in High Cost Support as more wireless carriers are certified as CETCs, while limiting the impact on rural ILECs.”⁶⁸ Under this approach, the total amount of high cost support available in a rural study area would be restated in terms of support per first line, rather than support per line, without any effect on the total amount received by the rural ILEC at the time support is restated.

⁶⁵ See *GCI Comments* at 25-32.

⁶⁶ *Joint Board Recommendation* at ¶ 72.

⁶⁷ See *GCI Comments* at 31-32.

⁶⁸ AT&T Comments at 13.

As GCI and other commenters pointed out, the restatement approach is the only approach of the three suggested by the Joint Board that is competitively neutral and consistent with the Commission's existing portability rules.⁶⁹ Under the restatement approach, both the rural ILEC and the competitive ETC will receive the same level of support when they are a consumer's primary line service provider. They both will only receive support for actually providing universal service to a customer, and will not receive support for additional lines or for lines that are no longer used to serve an end user because the end user terminated service and switched to a competitor.

By contrast, under the "lump sum" proposal, rural ILECs – but not competitive ETCs – would receive a lump sum payment to compensate for the loss of support associated with secondary lines, even though secondary lines are no longer within the scope of support.⁷⁰ No matter what you call it, this proposal supports ILEC secondary lines – and lines that the ILEC loses to the competitive ETC⁷¹ – but not competitive ETC-provided secondary lines. While this support may reflect the substantial common costs (such as poles, trenching, and conduits) used to provide both primary and secondary lines, the high degree of common costs will be a characteristic of any full facilities-based provider, not just the ILEC. There is no rational basis for discriminating in favor of the ILEC in such a blatant fashion.

The "hold harmless" proposal would freeze per-line support for competitive ETCs – but not for rural ILECs, which would continue to enjoy a revenue guarantee – upon competitive

⁶⁹ See, e.g., AT&T Comments at 13-16, NASUCA Comments at 31, State of New York Department of Public Service Comments at 3, Cox Communications, Inc. Comments at 16-18.

⁷⁰ See *Joint Board Recommendation* at ¶ 74.

⁷¹ See Cox Communications Comments at 16.

entry.⁷² As Cox points out, this creates a built in preference to the ILEC as the first-in-time provider.⁷³ Furthermore, like the “Lump Sum” proposal, even after the rural ILEC loses a customer, it still receives high cost support for the facilities once used to serve that customer, providing the incumbent with a significant competitive advantage over rival ETCs and no benefit to consumers.

GCI therefore agrees with the New York Department of Public Service that the “‘lump sum’ and ‘hold harmless’ options are inappropriate” because “the primary purpose of universal service support is to ensure affordable access for customers and not to protect any specific carriers from competition.”⁷⁴ Instead, “[b]y addressing the real issue – support for first lines versus support for all lines – the dynamic benefits of competition are preserved” by the restatement approach, even “when the state commission has determined that designation of multiple ETCs is in the public interest.”⁷⁵

Nonetheless, some wireless carriers assert that the restatement approach would not ensure competitive neutrality, “because, at least initially, ILECs would be guaranteed the same universal service support revenue as under the status quo regardless of how many of their lines were deemed ‘primary,’ while CETCs would lose revenue if any of their lines were not deemed ‘primary.’”⁷⁶ GCI does not believe that such an outcome violates the principle of competitive neutrality, however. A rural ILEC initially has an “advantage” over a wireless ETC only to the

⁷² See *Joint Board Recommendation* at ¶ 75.

⁷³ See Cox Communications Comments at 16-17.

⁷⁴ State of New York Department of Public Service Comments at 3; *see also* AT&T Comments at 15, NASUCA Comments at 31.

⁷⁵ AT&T Comments at 14.

⁷⁶ Sprint Comments at 17; *see also* Centennial Communications Corp. Comments at 14, Western Wireless Comments at 19.

extent that a customer (or potential customer) concludes that wireless service is an inferior complement – and not a substitute – for wireline telephone service, which would make it less likely that a customer will designate the wireless carrier as his primary line provider rather than the rural ILEC.⁷⁷ GCI, however, is confident that all of its existing customers will choose GCI, and not the rural ILEC, to serve their primary lines should the Commission accept the Joint Board’s recommendation to limit high cost support to a single connection. Hence, the solution to the wireless carriers’ concerns as to how their service will measure up against wireline service is straightforward: wireless carriers must improve the quality of their service so consumers view it as a substitute, and not merely a complement, for traditional wireline telephony. The solution is not to place unnecessary stress on USF by funding *all* lines, not just primary lines.

II. THE COMMISSION SHOULD NOT PRESUMPTIVELY RESTRICT THE NUMBER OF CARRIERS THAT CAN BE CERTIFIED AS AN ETC IN A RURAL STUDY AREA.

A few commenters advocate arbitrary presumptions against ETC designations in rural areas, generally claiming that it is not in the public interest to designate additional ETCs.⁷⁸ The theory behind such proposals apparently is that rural consumers will not be harmed by raising barriers to competitive entry and that the public interest in a competitively neutral universal service distribution scheme diminishes the higher the per-line high cost support is. Both theories are wrong. As GCI has demonstrated, the potential harm to rural consumers caused by arbitrary

⁷⁷ Several wireless carriers essentially admit this commercial reality in their comments. *See, e.g.,* Sprint Comments at 17 (“However, upon the initial implementation of the plan, the ILEC would not lose one dollar of support, no matter how many customers deem their ILEC lines to be ‘primary,’ while the wireless CETC would lose substantial amounts of support unless it can persuade *every single customer* to designate the wireless line as ‘primary.’”) (emphasis in original); Centennial Communications Corp. Comments at 14 (“...it is difficult to imagine a way that such a scheme could be implemented that would not profoundly favor the designation of existing landline telephones as ‘primary.’”).

⁷⁸ *See* AT&T Comments at 3; NASUCA Comments at 43; CenturyTel Comments at 11.

restrictions on ETC designations far outweighs any alleged (or implied) benefits of locking in the incumbent as the sole universal service support beneficiary.

A. A Presumption Against ETC Designations in Rural Areas Threatens Comparability of Services and Ignores the Proven Benefits of Competition for Rural Consumers.

Arbitrary limitations on CETC designations ignore the proven benefits to rural consumers of competitive entry. As GCI demonstrated in its comments, competitive entry in rural communities in Alaska has delivered tangible benefits to consumers, which simply are not available to consumers in rural areas served by a single carrier.⁷⁹ Bundled offerings for residential consumers and high-speed data services responsive to small business needs simply were not available until GCI entered the Fairbanks and Juneau markets. Given that these offerings are not available where the incumbent remains the sole carrier, it is evident that these offerings would *not* have been made available if GCI were kept out of the market. Yet, these unequivocal benefits to consumers – which far surpass merely providing “the supported services that the incumbent LEC provides,” the standard proposed by CenturyTel⁸⁰ – are ignored by proposals to set arbitrary benchmarks.

The potential for other carriers to enter a rural market and be designated as an ETC also keeps pressure on rural ILECs to improve their services. Erecting arbitrary barriers to designations will eliminate any such incentive, further insulating rural, rate-of-return carriers from those pressures that yield benefits for consumers through innovation and investment.

⁷⁹ GCI Comments at 5-9.

⁸⁰ CenturyTel Comments at 11-12; *id.* at 7 (stating that USF goals “can be promoted in an effective manner through national standards for ETC designations, thereby preserving the fund and protecting against inferior services that are not comparable to those offered by ILECs”); *see also* AT&T Comments at 36 (recommending that the Commission “should require CETCs to meet certain obligations that approach those required of ILEC ETCs”).

Contrary to being in the public interest, policies that insulate incumbents from competition fortify the digital divide between urban and rural America.⁸¹

B. “High” Per-Line Support Is Not a Rational Basis for Raising Barriers to Entry.

A recurrent theme among proponents of the benchmark proposal is that the designation of a non-incumbent ETC in a “high” per-line high cost support area subsidizes or creates competition, contrary to the public interest. CenturyTel, for example, asserts that the designation of an additional ETC in a rural area would “establish[] a competitor in the market”⁸² or “stimulate competition.”⁸³ AT&T similarly implies that current ETC designation processes for rural areas could be credited with “bringing competition to Rural America.”⁸⁴ These assertions simply do not correlate with the current USF distribution policies, which heavily favor the incumbent over the CETC, and thus, do not justify raising a barrier to entry by establishing arbitrary benchmarks for CETC designations.

Today, ILECs continue to receive high cost support based on total network costs, whether or not the ILEC serves a customer. CETCs, however, are required to invest in infrastructure at their own risk, with no assurance of being designated an ETC, and then, once designated, receiving high cost support only for acquired customers – not for the recovery of total network costs. Moreover, for ILECs that actually and effectively utilize the disaggregation tools available to them, the competitor will *only* receive support if it serves those customers that the

⁸¹ Indeed, rural ILECs already have the incentive to delay the adoption of advanced services in rural areas, even where facilities have been deployed. With Voice over Internet Protocol (“VoIP”) services available over broadband, rural ILECs have an incentive to reduce the incidence of VoIP-based bypass of their high access charges by holding back marketing of their own broadband services.

⁸² CenturyTel Comments at 11.

⁸³ *Id.* at 3.

⁸⁴ AT&T Comments at 27.

ILEC deems to be in a “high cost” area. It is beyond reason that such a system “brings” competition to rural areas.

While eligibility for high-cost support alone will not make the case for competitive entry, arbitrary restrictions on ETC designations can raise a barrier to entry, contrary to the public interest. In the absence of high cost support, the ILEC would have to recover its costs from retail rates and access, for which a competitive entrant can compete when it competes for customers. In areas where high cost support is available, a competitive entrant likewise must have the opportunity to compete for high cost support, just as it would if these revenues were recovered by the ILEC through retail rates. To be clear, the opportunity to compete for these revenues appropriately may be contingent upon meeting competitively neutral standards or requirements for ETC designations to ensure that the public interest is met. Arbitrary restrictions on designations, however, benefit only the protected incumbent carrier without any regard for the consumers in the rural areas for whom carrier choice has been artificially foreclosed and the availability of comparable services is denied, contrary to the directives of Section 254(b)(3).

Moreover, even if rural markets do not have the economies of scale to support multiple ETCs, as CenturyTel claims (at 16), then support for more than one ETC will be a short term condition, with the more efficient and innovative carrier succeeding in the long run. This market dynamic ultimately benefits the public in the form of decreasing demands on the fund.⁸⁵ As Dr. David Sappington concluded, “absent strong pressure from competitors, incumbent suppliers will

⁸⁵ Given the advantages of incumbency under the current system, where the incumbent receives network support and the CETC receives only per customer support, a CETC has far greater incentives to install a more efficient, cost-effective network. While rural carriers oppose primary line proposals based on the claim that they need full network support to deliver broadband services (*see, e.g.*, CenturyTel Comments at 17), CETCs invest in efficient networks without any recovery guarantee just to have the opportunity to win customers.

have limited incentive to minimize their costs on an ongoing basis if higher costs are largely passed onto customers other than their own in the form of higher universal service recovery fees.”⁸⁶ From this perspective, AT&T is absolutely right that “[t]he underlying logic is inescapable; *competition should lower the cost of providing universal service, not increase it.*”⁸⁷ If allowed to operate, competition *will* lower the costs of providing universal service, by reigning in costs over time that today are submitted for support virtually unchecked – a situation that would be perpetuated by the benchmark proposals.⁸⁸

C. The Arbitrary Nature of Benchmarks Cannot be Resolved.

Each of the benchmark proposals imposes arbitrary barriers to the public interest determination that must be made by state commissions. NASUCA supports the proposal developed by Consumer Advocate Billy Jack Gregg, which proposal sets presumptions against additional designations based on the average high-cost amount per line (none) and the median high-cost amount per line (one).⁸⁹ Underscoring the arbitrary nature of these benchmarks, CenturyTel draws the line deeper, calculating barriers based on combined federal and state support, thereby making it easier to apply the benchmarks to even more service areas – and expanding the protection of incumbents.⁹⁰ AT&T takes the biggest swipe at blocking competitively neutral access to high cost support, stating that “the benchmark should be set as

⁸⁶ Dr. David E.M. Sappington, “Harnessing Competitive Forces to Foster Economic Universal Service,” CC Docket No. 96-45 at 3 (“Sappington Paper”) at 20-24 (filed Dec. 19, 2003)

⁸⁷ AT&T Comments at 26 (emphasis in original).

⁸⁸ See Sappington Paper at 20-24; GCI Comments at 9-10.

⁸⁹ NASUCA Comments at 43.

⁹⁰ CenturyTel Comments at 18.

low as possible.”⁹¹ Yet, not one of these commenters explains how keeping competitors out will impose discipline on the very per-line high cost amount the results in the barrier in the first place, or even why the incumbent should be the presumptive ETC once another carrier seeks a designation. The benchmark proposal, by rewarding high cost incumbents with greater protection from otherwise eligible competitors, will simply perpetuate the incentives to maximize support by keeping costs high.

At bottom, preserving incumbency has never served the public interest. Regulators cannot accurately predict where competition should develop and by whom.⁹² Thus, there can be no rational basis for presumptively issuing support only to the incumbent to the preclusion of a competitive carrier. Arbitrary limitations on ETC designations are not needed to ensure that support is distributed for the purposes intended and to maintain controls on fund growth, in service of the public interest in a sustainable fund. As GCI has demonstrated in comments and herein, if service level quality is at issue, additional criteria may be established to ensure desired standards for the supported services. Likewise, any concern for growth in the fund with non-incumbent ETC designations is addressed by implementing primary line requirements. Both of these approaches satisfy the goals of universal service, sustain the fund, and most importantly,

⁹¹ AT&T Comments at 26.

⁹² GCI Comments at 8-9; Sappington Paper at 10-14 (identifying what the regulatory must – but cannot – know for a monopoly system to work). The Commission’s early decisions on cellular licensing illustrate this point. First, the Commission thought the market would sustain only one licensee, awarding that single license to the “wireline monopolies.” *Inquiry Relative to the Future Use of the Frequency Band 806-960 Mhz, Second Report and Order*, 46 FCC2d 752, ¶ 21 (1974) (“since a cellular system is technically complex, expensive, and requires a large amount of spectrum to make it economically viable, competing cellular systems would not be feasible in the same area.”). When that assumption was revisited, the Commission took the bold step of authorizing *two* licensees. *An Inquiry into the Use of the Bands 825-845 MHz and 870-890 MHz for Cellular Communications Systems, Report and Order*, 86 FCC2d 469, ¶ 15 (1981). Today’s competitive wireless market proves how wrong-headed decisions to limit competition are likely to be.

create the environment wherein rural consumers may have access to both telecommunications and advanced services that are comparable to services available to urban consumers.

III. THE PROPER BASIS OF HIGH COST SUPPORT IS CURRENTLY BEFORE THE JOINT BOARD, NOT THE COMMISSION

A. Issues Related to the Basis of Support Are Not Within the Scope of this Proceeding.

Based on their displeasure with the Joint Board's recommendation to limit high cost support to a primary line, several rural ILECs and their associations have developed a counter-proposal to limit the explosive growth of USF: instead of providing the competitive ETC with the same level of per-primary line high cost support as the rural ILEC, competitive ETCs would instead receive high cost support for all lines based on their own costs, capped at the level of per-line support received by the rural ILEC.⁹³ As GCI previously explained, however, issues such as this, which concern the *basis* of high cost support, do not fall within the scope of this proceeding.⁹⁴

The Joint Board expressly "decline[d] to recommend that the Commission modify the basis of support in areas with multiple ETCs at this time" in its recommendation, but encouraged the Commission "to consider possible modifications to the basis of support in a broader context."⁹⁵ The Commission did just that when it recently asked the Joint Board to "to review the Commission's rules relating to the high-cost universal service support mechanisms for rural carriers and to determine the appropriate rural mechanism to succeed the five-year plan adopted

⁹³ See, e.g., Mid-Sized Carrier Coalition Comments at 32-33, NTCA Comments at 13-14, Rural Telecommunications Associations Comments at 16, Coalition of State Telecommunications Associations and Rural Telephone Companies Comments at 17-18.

⁹⁴ See GCI Comments at 32-34.

⁹⁵ Joint Board Recommendation at ¶ 88.

in the *Rural Task Force Order*.”⁹⁶ Accordingly, issues concerning the *basis* of high cost support fall outside the boundaries of this proceeding, which deals instead with the *scope* of support.

The Commission therefore should not seek to resolve in this docket whether competitive ETCs should receive different levels of high cost support than rural ILECs.⁹⁷ This issue goes to the heart of the how the level of universal service support provided to each ETC is determined, and that issue is being considered by the Joint Board in a separate docket.⁹⁸

B. Providing Equal Support to All ETCs is Lawful and the Only Competitively Neutral Mechanism for Distributing High Cost Support.

As discussed above, issues related to the basis of high cost support fall outside the scope of this proceeding. Nonetheless, GCI believes that it is important to correct the misleading arguments raised by other parties, which encourage the Commission to revise the basis of high cost support received by competitive ETCs as an alternative to implementing the primary line restriction included in the *Joint Board Recommendation*.

⁹⁶ See *Federal-State Joint Board on Universal Service*, Order, 19 FCC Rcd 11538 (¶ 1) (rel. June 28, 2004).

⁹⁷ See *Joint Board Recommendation* at ¶ 85.

⁹⁸ In response to the assertion of some rural ILECs that “UNE rates do not compensate incumbents for their embedded costs of providing UNEs and that this disparity creates arbitrage opportunities,” the Joint Board has asked the Commission to “consider the treatment of lines provided by unbundled network element (UNE)-based competitive ETCs under [its] recommended approach.” *Joint Board Recommendation* at ¶ 85. However, as GCI explained in its Comments, “the rural ILECs’ attack on UNE-based competitive ETCs has little to do with a desire to protect universal service,” and instead concerns “the level at which UNE prices have been set, or more specifically, the fact that UNE rates are calculated based on forward-looking rather than embedded costs. Any proposals to revise the UNE pricing rules may only be considered in a separate proceeding applicable to all UNE pricing determinations, such as the Commission’s pending TELRIC docket.” See *GCI Comments* at 33.

*1. Distributing Equal Support to all ETCs Is Consistent with
Section 254(e)'s Sufficiency Requirement.*

Throughout their comments, several rural ILECs and their representatives argue that paying competitive ETCs per line high cost support based on the rural ILEC's high cost support (which, in turn, is based on the total embedded costs of the ILEC's network) violates the requirements of Section 254(e) by over-subsidizing competitive ETC services when the competitive ETC is a lower cost provider.⁹⁹ As a corollary, some commenting parties argue that excessive support, defined as per line support that is greater than the competitive ETC's own costs, necessarily must be diverted away from the provision, maintenance, and upgrading of facilities used to provide universal service, in violation of the same statutory provision, because the amount of support exceeds that which is necessary to achieve these goals.¹⁰⁰

ILEC arguments that sufficiency – and therefore excessiveness of support – must be judged on a carrier-by-carrier basis ignore the Fifth Circuit's decision in *Alenco*. As previously discussed, the Fifth Circuit in *Alenco* expressly rejected ILEC arguments that sufficiency must be judged from the perspective of the *carrier*, holding that Section 254(e) instead requires only that there be sufficient support for “*customers* to receive basic telecommunications services.”¹⁰¹ When sufficiency is judged from the perspective of the customer, and not the perspective of “every local telephone provider as well,”¹⁰² sufficiency has no logical relationship to an individual ILEC's or competitive ETC's costs of service, but can only be judged with respect to the market rates of *competing* providers in the absence of high cost support. With equal support,

⁹⁹ See, e.g., NTCA Comments at 13-14.

¹⁰⁰ See, e.g., Coalition of State Telecommunications Associations and Rural Telephone Companies Comments at 17, Mid-Sized Carrier Coalition Comments at 18-19.

¹⁰¹ *Alenco*, 201 F.3d at 620 (emphasis added).

¹⁰² *Id.*

a lower cost carrier can undercut its higher cost rival, just as it would in an unsubsidized market.¹⁰³ However, when a higher cost carrier can receive greater support than a lower cost carrier, *neither* carrier is incented to maximize efficiency because any efficiency gains serve only to reduce that carrier's universal service support and cannot translate into a marketplace advantage.¹⁰⁴ It would be ironic and counterproductive, at a time when the Commission is concerned with the high cost funds ballooning, for the Commission to adopt a basis of support that encouraged both ILECs and competitive ETCs to inflate their costs of service.

Indeed, under *Alenco*'s customer-focused sufficiency requirement, if providing the same support to both carriers reveals that the marketplace will deliver universal service at rates well below the upper limits of affordability and reasonable comparability, the proper remedy is to reduce the support to all ETCs in that market, not just to the ETC that is the most efficient in providing universal service. Nothing in Section 254 requires the Commission to pay higher levels of support to inefficient carriers to subsidize their market presence. Indeed, paying differential support to ETCs serving the same customer in the same market not only violates competitive neutrality, but would do exactly what the Fifth Circuit rejected in *Alenco* – confuse the Act's command for universal service to provide “sufficient funding of *customers*” with “sufficient funding of every local telephone provider.”¹⁰⁵

¹⁰³ See David E. M. Sappington “Harnessing Competitive Forces to Foster Economical Universal Service” at 22-24 (originally filed in CC Docket No. 96-45 on Dec. 19, 2003).

¹⁰⁴ *Id.*

¹⁰⁵ *Alenco*, 201 F.3d at 620 (emphasis in original). Moreover, if sufficiency were really to be determined on a *carrier*, rather than a *customer* basis, such an interpretation would truly subsidize competitive entry. In the early stages of competition, a competitive ETC's per line costs are likely to be much greater than those of the ILEC, not lower. A start-up competitive ETC will not yet have achieved even its baseline operating scale, let alone be able to approach the ILEC's economies of scale and scope. Under the rural ILECs' proposal to pay competitive ETCs based on competitive ETC costs, USF might actually grow due to the

Finally, the ILECs' assumption that competitive ETCs will necessarily have lower total costs of service than the ILEC – and thus, should receive a lower level of support, if any – is unfounded.¹⁰⁶ As GCI previously explained to the Commission, GCI has loop costs that are roughly similar to the ILEC with which it competes, when the costs of collocation and feeder transport from GCI's switch to the ILEC's collocation site are included.¹⁰⁷ ILEC arguments that competitive ETCs using UNEs have lower costs than the ILEC – as measured by a comparison of the UNE loop rate to the ILEC's embedded loop cost – do not consider the competitive ETC's full costs to provide universal service.¹⁰⁸ The Commission, however, should not endeavor to measure these costs precisely – this is a task that is doomed to failure. Instead, the Commission should use market forces to reveal when service to a particular area can be provided with lower, per-line support. Only a mechanism that provides the same support to ILEC and competitive ETCs will harness the market in this way.

increased per-line high cost support amounts provided to competitive ETCs. Such a policy would also dull the incentives of competitive ETCs to minimize their operating costs over time.

¹⁰⁶ See Coalition of State Telecommunications Associations and Rural Telephone Companies Comments at 17-18.

¹⁰⁷ For example, in Fairbanks, GCI pays ACS of Fairbanks, Inc. ("ACS-F") \$23.00 per month for a UNE loop. However, the UNE loop represents only a portion of GCI's loop costs. GCI serves its customers using UNE loops from ACS-F in combination with GCI's own fiber feeder and transport facilities. As GCI explained to the Joint Board last year, the cost of these additional facilities add no less than \$12.82 to GCI's loop costs. See Comments of General Communication, Inc., CC Docket No. 96-45 at 55 (filed May 5, 2003).

¹⁰⁸ See, e.g., BellSouth Comments at 11-12 (proposing that a competitive ETC "should receive only receive 76% of the difference between the UNE price and the statewide average forward-looking costs or what the incumbent receives, whichever is less" based on the fact that "for incumbent LECs, the forward-looking support mechanism provides support for 76% of statewide average costs above the nationwide average cost benchmark.").

2. Distributing Equal Support Is Competitively Neutral.

ILECs proposing to provide unequal per-line high cost support to competing ETCs offering service to the same customers in the same market fail to demonstrate how such a mechanism would be competitively neutral.¹⁰⁹ Competitive neutrality for high cost support should be determined by comparing the market dynamics created by the support mechanism with the market dynamics that would be in effect in the absence of support. As GCI explained to the Commission last year, in the absence of subsidies, a competitive ETC has an incentive to enter a market when it can do so profitably, as measured by the unsubsidized amount of revenue the competitive ETC would receive in competition with the rural ILEC's unsubsidized prices.¹¹⁰ The market would dictate the competitive ETC's pricing in response to the rural ILEC's pricing and would dictate the incumbent's response to any price reductions implemented by the competitive ETC. Providing the same level of high cost support to both ETCs simply tends to reduce the price that customers will have to pay by the amount of the high cost support, as the competitive ETC and the rural ILEC compete for customer loyalty.

To the contrary, competitive incentives and market discipline would be greatly skewed if high cost support were provided to only one ETC but not another, or in a greater amount to one ETC than to another. If, for example, a rural ILEC were to receive high cost support, and a competitive ETC were to receive no high cost support for providing the same service to the same subscriber, the competitive ETC would have no incentive to enter the market unless it could somehow reduce its average cost sufficiently far below the rural ILEC's costs so as to at least offset the subsidy provided to the rural ILEC.

¹⁰⁹ See, e.g., NTCA Comments at 14.

¹¹⁰ See Comments of General Communication, Inc., CC Docket No. 96-45 at 46-47 (filed May 5, 2003).

Therefore, rural ILECs that argue that the provision of the same level of high cost support to ILECs and competitive ETCs “advantage classes of carriers by allowing them to receive support unrelated to their costs,” confuse the concepts of competitive neutrality with profit equalization.¹¹¹ Competitively neutral policies, such as the Commission’s current rules for high cost support, do not change the relative abilities of firms to compete in the marketplace. For example, if a competitive ETC’s costs are \$1 per unit lower than the rural ILEC’s costs before a competitively neutral subsidy policy is implemented, then the competitive ETC’s effective costs remain \$1 per unit lower than the rural ILEC’s costs after the policy is implemented. By contrast, profit equalization policies offset differences between the relative abilities of firms that would otherwise arise in the marketplace. For example, after a profit equalization policy is implemented in the setting described above, both the competitive ETC and the rural ILEC will have the same effective costs, because the rural ILEC will be provided \$1 per unit more in subsidy than the competitive ETC to offset the competitive ETC’s cost advantage.¹¹²

Competitively neutral policies benefit consumers by helping to ensure that services are provided by the least cost supplier. By contrast, profit equalization policies harm consumers and

¹¹¹ NTCA Comments at 14.

¹¹² Further, as GCI explained in its comments, the Commission should decline the invitation to impose burdensome obligations on carriers seeking ETC designation in rural ILEC study areas, such as limiting ETC designations to Carriers of Last Resort (“COLR”). *See GCI Comments* at 16-20. Simply stated, COLR is not a reason to bar competitively neutral universal service policies, because most rural ILECs benefit greatly from their COLR obligations. In many instances, ILECs will build out their facilities because it is in their business interest to do so, not because they are required to do so by COLR requirements. Even where the ILEC does build out in accordance with its COLR responsibilities, these costs are often substantially borne by the end user customer, and do not enter the ILEC’s ratebase. For instance, Alaska state law permits the ILEC, as part of its line extension charges, to recover from its customer the cost to construct all facilities beyond 1,000 feet. Far from being a “burden,” as many rural ILECs are quick to claim, COLR can be an advantage.

competition by subsidizing the operation of high cost suppliers and by limiting the incentives of all suppliers to reduce their operating costs. Differential per line support for ILECs and competitive ETCs will deprive the market of each carrier's superior skill, knowledge, and foresight, because it will rob more efficient carriers of the benefits of their efficiency. Therefore, calculating per line high cost support by the same ruler is the only means to replicate the price signals that would occur in a competitive market, consistent with the principle of competitive neutrality.

IV. AN ILEC'S CHOICE NOT TO DISAGGREGATE HIGH COST SUPPORT SHOULD NOT CREATE A BARRIER TO THE DESIGNATION OF AN ADDITIONAL ETC.

In its comments, GCI encouraged the Commission to amend its rules to require a rural ILEC to disaggregate its high cost support pursuant to Path Two, involving state commission oversight, when a new entrant applies for ETC designation in a portion, but not all of, the rural ILEC's study area. This approach protects rural markets from uneconomic entry by an additional ETC without foreclosing competitive entry altogether. The record includes support for GCI's proposal. Centennial Communications Corp., like GCI, urges the Commission to address concerns about cream skimming by "amend[ing] its rules to make disaggregation of a rural ILEC's study area automatic in any case in which a newly designated ETC serves some but not all of that study area."¹¹³

While permitting ILECs to have a second bite at the disaggregation apple opens the door to potential ILEC gamesmanship, which the Commission sought to discourage in its *Rural Task*

¹¹³ Centennial Cellular Corp. Comments at 16; *see also* Dobson Cellular Systems, Inc. Comments at 16, Cox Communications, Inc. Comments at 6-8.

Force Order,¹¹⁴ that potential ILEC gamesmanship – which can be minimized by oversight – is far less damaging to competition than denying ETC designation to a competitive ETC serving a portion of the study area. Under *Virginia Cellular Order*¹¹⁵ and the *Highland Cellular Order*,¹¹⁶ a carrier could be denied ETC designation in a lower cost portion of the ILEC study area, even if the entire study area is demonstrably high cost in nature. Allowing the ILEC to file for disaggregation under Path Two is a more narrowly tailored means to address any potential mismatch between averaged support and deaveraged costs. Under Path Two, as contrasted with Path Three, however, the state commission stands as a check against ILEC competitive abuses in the disaggregation process. It is appropriate to eliminate Path Three as an option when the ILEC formerly elected not to disaggregate, and is now seeking to institute disaggregation.

ILECs may argue that mandatory disaggregation is unnecessary. After all, the current rules permit any party to petition a state commission to amend a particular ILEC's disaggregation plan. Indeed, it is correct that under the current rules any party – including the

¹¹⁴ See *Federal-State Joint Board on Universal Service; Multi-Association Group (“MAG”) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256, 16 FCC Rcd 11244, 11303 (¶ 149) (2001) (“*Rural Task Force Order*”) (“We are concerned that permitting a carrier to disaggregate after election of Path One under these circumstances presents the opportunity for gamesmanship and undermines the certainty necessary to encourage a competitive eligible telecommunications carrier to enter a market.”)

¹¹⁵ See *Federal-State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, Memorandum Opinion and Order, 19 FCC Rcd 1563, 1578-79 (¶ 34) (rel. Jan. 22, 2004) (“*Virginia Cellular Order*”).

¹¹⁶ See *Federal-State Joint Board on Universal Service, Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, Memorandum Opinion and Order, 19 FCC Rcd 6422 (¶¶ 31-32) (rel. April 12, 2004) (“*Highland Cellular Order*”).

rural ILEC that elected no disaggregation – may at any time petition the state commission to implement disaggregation under Path Two or Path Three.¹¹⁷ That, however, only points out the extent to which the *Virginia Cellular Order* and the *Highland Cellular Order* are wrongly decided. The Commission in both cases should have required the rural ILECs to petition the state commission for relief under Path Two or Path Three disaggregation, rather than simply refusing to designate an additional ETC. When an ILEC fails to follow these paths, however, it cannot be allowed to use its failure to act to block designations.

The Commission must put the onus back on rural ILECs to avail themselves of the available means to address claimed concerns about “cream skimming,” and not use such claims for protection from an entirely different concern that a competitive ETC with equal support may be able to out-compete them in hard-to-serve areas. At present, however, rural ILEC’s have little incentive to voluntarily disaggregate their high cost support if the lack of disaggregation – and related concerns about cream skimming – can be used as a defense against the designation of an additional ETC.¹¹⁸ As Dobson correctly points out, “[a]llowing rural LECs to refrain from disaggregating and targeting support,” in this manner “provides them with an opportunity to raise cream skimming against competitive ETCs, erecting a needless barrier to competition.”¹¹⁹ “With all the benefits of disaggregation,” GCI, like Cox, “questions why the [*Joint Board Recommendation*] insists that the Commission maintain the presumption ... that a rural carrier’s study area should serve as the service area for a new ETC, placing the burden of proof on a new

¹¹⁷ See 47 C.F.R. § 54.315(b)(4).

¹¹⁸ See Cox Communications, Inc. Comments at 8 (“It is not surprising, given the anti-competitive nature of requiring a competitive ETC to serve the whole ILEC study area, that most ILECs chose *not* to disaggregate voluntarily, as permitted under the 1997 policy.”).

¹¹⁹ Dobson Cellular Systems, Inc. Comments at 16.

ETC that the study area should be disaggregated.”¹²⁰ Indeed, “disaggregation is a comprehensive solution to cream skimming issues” and, like other parties in this docket, GCI “urges the Commission to require rural LECs to disaggregate support in all study areas that are subject to a competitive ETC petition.”¹²¹

V. THE COMMISSION SHOULD REQUIRE ILECS TO CONSOLIDATE ALL STUDY AREAS WITHIN A SINGLE STATE TO MINIMIZE RELIANCE ON HIGH COST SUPPORT

GCI also endorses proposals to consolidate rural ILEC study areas under common ownership within a single state.¹²² Under such an approach, many rural ILECs would potentially qualify for less high cost support, if they qualified at all, because their costs would be averaged across their entire service area – including both high cost and low cost study areas – within a state. This, in turn, would reduce pressure on USF. It also would result in the redistribution of high cost support to the very rural areas served by ETCs with the highest average statewide costs, and reduce support for large holding companies that can provide the supported services at affordable rates without a subsidy.

GCI’s commercial experience in Alaska illustrates how rate-of-return regulation and the structure of the existing high cost support mechanisms create incentives for rural ILECs to avoid rationalizing their structure and consolidating where appropriate. Rather, the current system encourages the rural ILEC to manipulate its study areas to remain small to maximize high cost support. In GCI’s local service areas, the ILECs are the operating subsidiaries of Alaska Communications Systems Group, Inc. – ACS of Alaska, Inc., ACS of Anchorage, Inc., ACS of

¹²⁰ Cox Communications, Inc. Comments at 8.

¹²¹ Dobson Cellular Systems, Inc. Comments at 15.

¹²² See CTIA Comments at 23-24, Nextel Communications, Inc. Comments at 15-16.

Fairbanks, Inc., and ACS of the Northland, Inc. (collectively “ACS”). ACS is a rate-of-return ILEC. It also is designated as a “rural telephone company” pursuant to 47 U.S.C. § 153(37) with respect to all of its operations other than Anchorage.

If all of its study areas were consolidated, ACS would be classified as a non-rural company, properly reflecting its economies of scale gained by operating under a single corporate entity.¹²³ It would no longer receive HCLS, although all of its study areas could receive high cost model support if its forward-looking costs sufficiently exceeded the national average. This result, however, is consistent with the distinction made between the rural and non-rural support mechanisms: the non-rural support mechanism recognized that in the first instance it is the state’s obligation to address differences in the costs of serving diverse portions of the state.¹²⁴ Only when the state itself was sufficiently above the national average cost would support from the federal USF be appropriate.

Unifying all of an ILEC’s study areas within a state – or at least those study areas operated as a single physical network – would prevent a second type of gaming, also illustrated by ACS. Although ACS currently serves the entire greater Fairbanks area using a single network with a host/remote arrangement served from a switch in downtown Fairbanks, ACS markets service in this territory – and seeks universal service support – through three separate ILEC subsidiaries operating in three different study areas.¹²⁵ As a direct consequence of this scheme to

¹²³ See Comments of General Communication, Inc., CC Docket No. 96-45 at 69-72 (filed May 5, 2003).

¹²⁴ *Federal-State Joint Board on Universal Service*, Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order, 18 FCC Rcd 22559 (¶¶ 70-92) (rel. Oct. 27, 2003)

¹²⁵ See Comments of General Communication, Inc., CC Docket No. 96-45 at 21 (filed May 5, 2003).

arbitrage USF, ACS receives LSS for its Fairbanks, Northland, and ACS of Alaska study areas, even though the number of lines served by the Fairbanks-based physical system exceeds the 50,000 line cutoff for LSS support. Especially with LSS, which was meant to recognize the increased per-line switching costs associated with small switches, allowing larger systems to receive support solely because of accidents of history makes no sense. Instead, it represents a clear abuse of USF that the Commission must correct.

GCI therefore “urges the Commission to look for ways to consolidate multiple study areas under common ownership within a state into one ‘statewide’ study area” in order “to ensure that ... support is provided only to small rural LECs that truly require such support.”¹²⁶ In addition to providing enough support to ensure that consumers in very rural areas pay affordable rates for the supported services, this change also “could result in significant, quantifiable savings” for all consumers nationwide, because less overall support would be required to fund USF.¹²⁷

¹²⁶ Nextel Communications, Inc. Comments at 14-15.

¹²⁷ CTIA Comments at 24.

CONCLUSION

For the foregoing reasons, GCI respectfully asks the Commission to adopt the recommendations outlined herein.

Respectfully submitted,

By: /s/

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